

Message Text

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ORIGIN ARA-10

INFO OCT-01 EB-07 ISO-00 SP-02 USIA-06 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 IGA-02 IO-13 /095 R

DRAFTED BY ARA/LA/BC:LOWENTHAL

APPROVED BY EB/IFD:PHBOEKER

EB/IFD/OMA:RJRYAN

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

C O N F I D E N T I A L STATE 089786

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: CAUAS-BOEKER MEETING APRIL 8

REF: SANTIAGO 2698

1. MINISTER OF FINANCE, JORGE CAUAS, ACCOMPANIED BY PRESIDENT OF THE CENTRAL BANK, PABLO BARAONA, DIRECTOR OF ODEPLAN, ROBERTO KELLY AND THE DIRECTOR OF CORFO, NY, SERGIO UNDURRAGA CALLED ON DEPUTY ASSISTANT SECRETARY, PAUL BOEKER (EB/IFD). ROBERT RYAN (EB/IFD/OMA) AND WILLIAM LOWENTHAL (ARA/BC) ALSO WERE PRESENT.

2. BOEKER MENTIONED THAT FORTUNATELY THE PRICE OF COPPER HAD RISEN, PROBABLY IN ADVANCE OF DEMAND. CAUAS SAID HE HAD BASED HIS PROJECTIONS FOR 1976 ON 60 CENT COPPER WHICH WOULD MEAN A BALANCE OF PAYMENTS DEFICIT OF \$230 MILLION. HE CONSIDERED THIS SUM MANAGEABLE, ASSUMING NET
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DRAWINGS FROM THE IMF'S OIL AND COMPENSATORY FINANCING

FACILITIES OF ABOUT \$100 MILLION AND A \$125 MILLION LOAN FROM THE NY BANKS. HE SAID THE LATTER LOAN WOULD BE FOR 3-1/2 YEARS AND THAT HE EXPECTED TO SIGN THE AGREEMENT IN MAY.

3. THE MINISTER SAID NEITHER A 1976 DEBT RESCHEDULING NOR AN IMF STANDBY WAS NEEDED. THE SECOND TRANCHE OF THE LAST STANDBY WAS BEING DRAWN NOW. THE FUND WOULD WANT A WAGE FREEZE AS A CONDITION FOR A NEW STANDBY WHICH HE FEELS IS NOT NECESSARY AND WOULD RESTRICT HIS FLEXIBILITY. HE HAS AGREED TO CONSULT WITH THE FUND IN JULY.

4. THE MINISTER SAID THE TWO SLOW MOVING INDICATORS WERE INFLATION AND UNEMPLOYMENT, BUT HE WAS CONCENTRATING ON THEM AND FELT THEY WOULD IMPROVE SHORTLY.

5. BOEKER ASKED ABOUT RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS. CAUAS SAID THEY WERE GOOD WITH IMF AND IDB. THE IBRD HAD CLEARED A LOAN TO THE ELECTRIC COMPANY, FNDESA, FOR BOARD CONSIDERATION, BUT HE THOUGHT IT WOULD AND SHOULD BE A WHILE BEFORE MCNAMARA PUT ANOTHER LOAN FOR CHILE ON THE AGENDA. HE SAID HE THOUGHT MCNAMARA WAS RIGHT IN BEING CAUTIOUS; PERHAPS MIDYEAR WOULD BE A GOOD TIME TO HAVE IT SCHEDULED. CAUAS EXPRESSED UNHAPPINESS AT THE LAST EXPERIENCE.

6. THE MINISTER REFERRED TO THE INFORMAL SETTLEMENT OF DEB DEBT TO THE U.K., SAYING HIS GOVERNMENT'S DEBT PAYMENTS HAD NOW BEEN GENERALLY ACCEPTED AND THAT THE SUBMARINES

CHILE HAD ORDERED WOULD BE RELEASED. THE FRENCH, WHO HAD BEEN DRAGGING THEIR FEET ON A BILATERAL DEBT RESCHEDULING AGREEMENT ALSO ARE FINALLY WILLING TO GO AHEAD.

7. CAUAS THEN REFERRED TO THE UPCOMING MEETING OF UNCTAD IN NAIROBI AND SAID THAT MEXICO AND THE SOCIALIST COUNTRIES WERE TRYING TO KEEP CHILE FROM OPENING THE MEETING. (IT IS TRADITIONAL FOR THE FORMER HOST TO OPEN THE MEETING AT WHICH TIME THE NEW HOST ELECTED IS CHAIRMAN.) HE ASKED US ASSISTANCE IN COUNTERING THIS MOVE. BOEKER
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REPLIED HE WOULD LOOK INTO THE MATTER. KISSINGER

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